

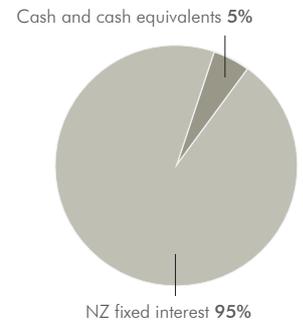
CLARITY FIXED INCOME FUND

The Clarity Fixed Income Fund provided a more modest return of 0.2% for the month of October. Key events were the looming US election and a significant Reserve Bank of New Zealand (RBNZ) announcement in November, which weighed on market pricing. Yields continued to grind lower over the month, a prevalent theme year to date, however the rate of decline has certainly slowed in recent weeks. The Fund's holdings in higher grade credit and longer dated bonds continued to contribute positively to performance.

The impact of the RBNZ's forthcoming Funding for Lending Programme (FLP) as well the potential for a negative Official Cash Rate remains our primary focus. Details of the FLP are expected to be announced at the RBNZ's November meeting and will be pivotal to any future decision making.

With interest rates already at record lows and better than expected economic data being released, we believe the argument for even lower interest rates, including negative interest rates, is becoming less convincing. Based on this we moved later in the month to shorten the duration (average maturity) of the Fund and therefore mitigate its interest rate risk. If interest rates rise, the price of shorter-dated bonds moves less than the price of longer-dated bonds. To reduce the duration of the Fund, we sold some of our lower rated credit in the property sector. This achieved a reduction in duration, improvement in credit quality and also locked in some of the positive returns made as a result of falling yields.

Target investment mix¹



Performance

As at 31 October 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	0.2%	1.3%	4.9%	5.0%	4.6%	5.2%
Benchmark Index**	0.0%	0.1%	0.8%	1.5%	1.9%	2.2%

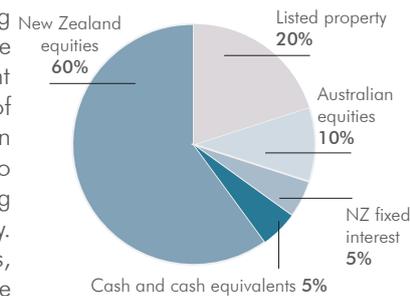
CLARITY DIVIDEND YIELD FUND

New Zealand shares offering a decent dividend yield posted another strong performance in October, as measured by the NZX High Dividend Yield Index (+4.5%).

Top performer for the Fund was Oceania Healthcare (+18%) which continues to benefit from rising house prices and strong demand for its retirement villages and care homes. The largest holding in the Fund, Contact Energy, was up 11% as it continued to benefit from optimism around the government doing a deal with Rio Tinto to delay the shutdown of the Tiwai Point smelter, a big consumer of electricity in the South Island. Also exposed to this dynamic was Meridian Energy (+7%). We remain mindful that this deal is not yet 'done', and have switched some of the Fund's electricity exposure into North Island generators Mercury and Genesis. Elsewhere, our contrarian investments in shopping mall owners Kiwi Property Group (+18%) and Unibail-Rodamco-Westfield (+20%) rallied strongly. Each company owns some of the biggest and most popular malls in their respective catchments, which should bounce back from Covid-19, although Kiwi is further along this path than Europe and US-focused Unibail.

On the downside, shares fell in French toll road operator Atlas Arteria (-7%), as Covid-19 infection rates increased again in Europe. We are comfortable with the long-term value of its assets, and with a balance sheet strengthened by a recent capital raise, it is well placed to ride out the second wave.

Target investment mix¹



Performance

As at 31 October 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	2.8%	7.1%	-5.8%	4.8%	8.5%	11.2%
Benchmark Index**	3.9%	9.5%	-5.1%	6.8%	7.0%	6.0%

¹ The current target investment mix is shown, but variations around these targets are likely from time to time.

* These returns are after deductions for charges and before tax.

** Benchmark returns reflects no deduction for charges and tax. Details of these are included in the Quarterly Fund Update which is available at <https://clarityfunds.co.nz/quarterly-fund-updates-and-commentaries>.

CLARITY NEW ZEALAND EQUITY FUND

The Fund clocked up 12 months of operation during October, returning 11.7% net of fees for initial investors, and coming in just ahead of its benchmark. The strong positive return is in sharp contrast to Clarity's Trans-Tasman Value Fund and Dividend Yield Fund, reflecting: a) a style agnostic approach to stock selection (rather than valuation biased), and hence a larger allocation to higher growth but more expensive companies which have performed particularly well; b) no exposure to the Australian market, which features more cyclical companies and has significantly underperformed the New Zealand market over the last 12 months (21% behind).

Looking ahead, we expect continued low interest rates and expansionary government fiscal policy will remain supportive for corporate profits and share prices, although risks remain to the New Zealand economy as wage subsidies come to an end and a lack of international tourists begins to bite during the summer months. Some of the more cyclically exposed companies in the Fund did well in October, including transport company Mainfreight (+17%), retirement village operators Oceania Healthcare (+18%) and Summerset (+16%), and Kiwi Property Group (+16%).

Target investment mix¹



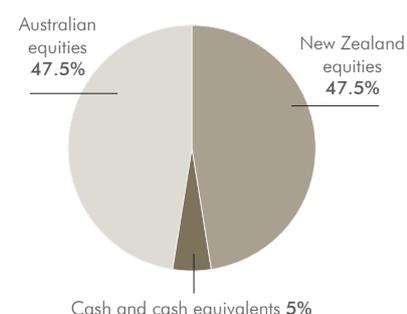
Performance

As at 31 October 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception
Clarity New Zealand Equity Fund*	3.2%	2.8%	11.7%	N/A	N/A	11.7%
Benchmark Index**	2.9%	3.3%	11.6%	N/A	N/A	11.6%

CLARITY TRANS-TASMAN VALUE FUND

The Fund's investment in logistics company Mainfreight continued to perform strongly in October. Management provided an early update on half-year results, which saw revenue up 7% and profit before tax up 23%. This would be an excellent result at any time, but was particularly remarkable when delivered against the global economic shock and disruptions caused by Covid-19. Mainfreight's strong network has helped it win customers away from other providers who were less well placed to deal with the supply chain disruption we've seen this year. They also reported growing demand for warehouse space as customers look to hold more inventory to guard against further transport disruptions, and to meet growing e-commerce demands. Mainfreight remain cautious in their outlook, but have proven again this year that their management team, company culture and network density set them apart from their competitors. Investors were rewarded with the share price up 17% during the month, and 27% this year. In Australia, the Fund's bank shares were amongst the best share price performers and biggest contributors to returns – not a common occurrence recently. ANZ Bank (+9%) reported full year results affected by impairment charges related to Covid-19 and further customer remediation, but was confident enough in its balance sheet position and outlook to declare a dividend. With the share price currently below the book value of the company, the banks offer a good value play on economic recovery in Australia and New Zealand, and an easing regulatory environment. Headwinds remain however, not least interest rates which are low and getting lower, and the Fund remains conservatively positioned in banks, relative to market weights.

Target investment mix¹



Performance

As at 31 October 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Value Fund*	1.7%	2.5%	-7.6%	-1.7%	5.2%	7.9%
Benchmark Index**	1.8%	4.1%	-0.1%	7.6%	10.9%	4.8%

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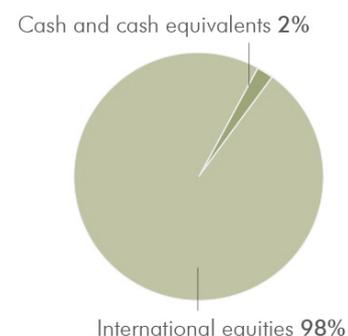
CLARITY GLOBAL SHARES FUND

Global equities advanced in early October buoyed by improving economic data and strong third quarter earnings reports. However, surging Covid-19 cases and an election-driven power struggle over the next round of stimulus in the United States triggered a broad-based selloff in the back half of the month. While the size and timing are uncertain, a deal on stimulus is likely post the election.

The Fund benefited from its position in financial services company Equitable Holdings (United States) during the month. Shares rose after the company announced a deal to reinsure part of its riskiest legacy variable annuity block to Venerable. The deal is expected to unlock \$1.2B of value and lower required capital by 64% which could improve the range of outcomes in adverse scenarios. The Fund's overweight position in life sciences company Bayer (Germany) detracted from relative results. Shares fell as the company announced cuts to revenue guidance due to impacts from Covid-19 and competition in Crop Science, in addition to ongoing glyphosate litigation.

Looking beyond the next few months, supportive fiscal and monetary policies coupled with the re-opening of economies after the approval and distribution of an effective vaccine should support the broadening market leadership trend of recent months.

Target investment mix¹



Performance

As at 31 October 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	-2.1%	0.2%	-3.4%	3.1%	N/A	5.5%
Benchmark Index**	-2.4%	0.6%	2.4%	6.2%	N/A	8.2%

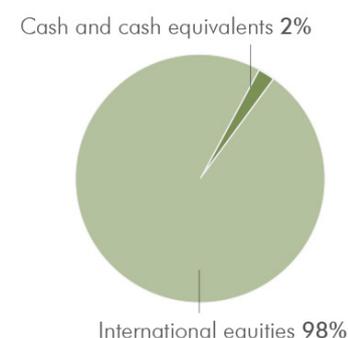
CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND²

After a positive start to the month, the Fund ended October declining 2.9% although it remains ahead of its benchmark (+11.0%) since inception. The decline in mega-cap tech stocks was notable during the month as was the continued strength in defensives such as the utilities and communication services sectors. Financials, which benefited from rising bond yields, and the more cyclical consumer discretionary and materials sectors also outperformed. Another notable laggard was the energy sector, which continued to be impacted by weak oil prices.

The Fund's portfolio managers closely monitor opportunity in sectors experiencing disruptive change such as healthcare, with focus on research-led, innovative companies with strong drug pipelines. Key holdings include Vertex Pharmaceuticals and AstraZeneca. An additional area of focus is digital services as consumer purchasing and entertainment behaviour continues to transition online, facilitated by companies including Amazon, Mastercard, PayPal, Netflix and Facebook.

In the short term, newly announced lockdowns in Europe, the risk of renewed lockdowns in parts of the US and delayed fiscal stimulus all have the potential to weigh on the growth outlook and investor confidence.

Target investment mix¹



Performance

As at 31 October 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception
Clarity - Capital Group New Perspective Fund*	-2.9%	1.8%	N/A	N/A	N/A	11.5%
Benchmark Index**	-2.4%	0.6%	N/A	N/A	N/A	0.5%

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² Capital Group and Capital Group New Perspective are trademarks of the Capital Group Companies, Inc.

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CLARITY DIVERSIFIED INCOME FUND

The Diversified Income Fund rose 1.0% in October and is now just 0.9% behind its benchmark over the past year.

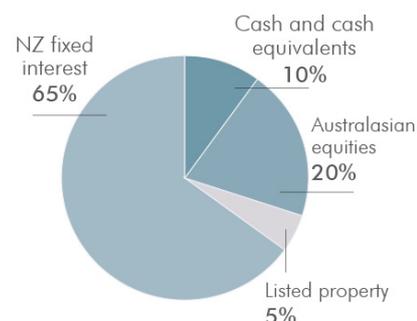
Given the current low interest rate environment, during the month, the Clarity Investment Committee agreed to increase the Fund's allocation to the underlying Clarity Dividend Yield Fund to 40%, while reducing the investment in the Clarity Fixed Income Fund to 55%. This should provide the Fund with greater income due to the higher yield from equities although does bring about the potential for slightly higher volatility.

The underlying Clarity Fixed Income Fund has reduced its distribution due to the lower level of income that it will now be receiving as interest rates have fallen significantly across the market. Thus, the Investment Committee has agreed to reduce the distribution that investors will receive in November and future periods from 1.8 cents per unit to 1.6 cents per unit.

Performance

As at 31 October 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	1.0%	3.1%	1.4%	4.6%	N/A	4.9%
Benchmark Index**	0.2%	0.5%	2.3%	3.0%	N/A	3.2%

Target investment mix¹



CLARITY DIVERSIFIED GROWTH FUND

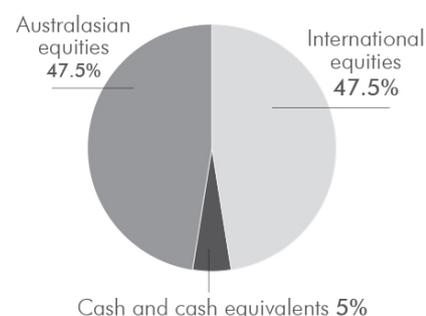
The Fund fell 0.1% but outpaced its benchmark by 0.2% in October. The relative outperformance was driven by a strong month from the Fund's investment in the TAHITO Te Tai ō Rehua (Trans-Tasman) Fund, which selects listed companies based on indigenous Māori values as well as applying a robust valuation methodology.

The investment in the underlying Clarity – Capital Group New Perspective Fund dragged on performance as various global technology stocks took a hit. The Fund maintained its current allocation to the underlying funds with an even split between global and Australasian shares at present. The Investment Committee continues to monitor key risks including geopolitical tension and Covid-19 related lockdowns, and will look to position the Fund appropriately.

Performance

As at 31 October 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	-0.1%	2.7%	-2.0%	1.9%	N/A	4.4%
Benchmark Index**	-0.3%	2.4%	1.3%	7.0%	N/A	8.7%

Target investment mix¹



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